

Paying the price for payroll

by Phillip Tarrant

Perhaps the most important businesses must make when selecting system is whether outsourcing or an in-house operation represents the most cost-effective approach. Many businesses a outsourcing payroll, claiming that specialist companies provide expertise and knowledge. There is, however, a considerable school that advocates the in-house option, claiming that only through using your own people and culture can you get a real feel for your company's needs. In this case, the standard outsource vs in-house argument is punctuated by the fact that payroll is an essential aspect of all businesses and one that companies need to ensure is done right.

Companies clearly have some very serious issues to consider when deciding will best suit them: What are the features and benefits of each different payroll system what will a company gain if it chooses to outsource payroll to a specialist? Conversely will an off-the-shelf solution provide a adequate tracking and delivery of company payroll? And who are the leaders in their respective fields and how much will their systems cost?

What is a payroll system and why do I need it?

All companies need a method to track employee hours, days worked, places worked and overtime. Employers also need to be able to track client billing hours, expenses and the in-depth functions that affect their daily business environment. As a result, payroll systems have developed from simple Bundy clocks and employee-driven accounts to the vast array of advanced, client-based server and application service provider (ASP) web-based technology still available today.

"Payroll software is anything from a simple spreadsheet, to a fully automated program which is integrated to all other aspects of your computing environment," said Alwyn Henderson, managing director of Frontier Software. According to Henderson, payroll software has three broad divisions that change in response to each work environment: "You have a single-user system - similar to what is available through MYOB, a multi-user system, and a wide area net- and internet based system that integrates all aspects of the business environment." These divisions depend on the environment in which the system is established - the companies dispersion, staff numbers and whether it has an internet framework and facilities he said. "The payroll interface is a crucial aspect of business because this collects information on how the business operates," said Henderson. "Payroll becomes part of the total data collection for the whole company."

Justin Sway, managing director of Fast Track, said it is imperative that all companies embrace the payroll systems available in today's ever-changing marketplace. "As the labour market continues to shift more and more towards short-term contract, temp and casual labour the need for payroll systems to handle timesheet-based payrolls increases," Sway said. "The shift towards more non-permanent payees and the growing use of consulting services - that use contracts or require client billing based on timesheets - has increased their volume of data that needs to be both entered and stored. This impacts on the system design," he added. "The ability to quickly enter large amounts of timesheet details and to effectively and reliably store this data is crucial," Sway said. "A payroll/billing system must provide payroll managers with more assistance: different timesheet types for different purposes, integrated award interpreters, missing timesheet reports and many other valuable features."

Australian payroll officers have historically played one of the most important company roles, ensuring employees are paid on time whilst continually dealing with some of the most complex payroll legislations in the world. With over 8.5m workers in Australia receiving 400 million

packets each year, it is essential that all business ensure payroll is accurate and efficient. What system, therefore, is best for your company?

Which system best suits my needs?

Every business has different requirements, so the payroll system you choose depends on your own specifications and workplace environment. According to Alwyn Henderson, the biggest differences are between: systems which are internet- and non-internet based; client-server based systems and single-user systems; and those which are completely off-the-shelf and those created specifically for a company's needs using pre-existing frameworks.

Each type of system has different features and benefits. Rebus Australia's PS enterprise system provides a Microsoft centric client-server payroll and Human Resource Information System (HRIS) that allows users to process payroll information from one central database, said CEO Geoff Smith.

Rebus Australia recently oversaw a complete overhaul of the payroll system of brewery Lion Nathan. The company was using bureau-based payrolls for their breweries in NSW, Queensland, Western Australian, South Australia and New Zealand. "This gave them little to no control of their people data, limited functionality, minimal data integration and flexibility - as well as the ongoing bureau processing fee," Smith said. "Rebus had to fit around the framework established by Lion Nathan to supply a functional, compliant payroll for both Australia and NZ and a system that will comply with the 'Lion Nathan way' while remaining as standard as possible," explained Smith, "The solution had also to provide measurable improvements to business processes and procedures." Rebus provided an existing off-the-shelf type package, but designed it to meet Lion Nathan's specific needs.

Off-the-shelf systems - able to meet specific criteria - allow a company to install a system that suits its particular needs without becoming heavily customised. "Customised systems are difficult to support and upgrade to newer product releases," Smith said. "Because our product is designed and constructed with standard Microsoft tools, the need to have people with specialised programming and technical skills to support the product is eliminated."

There are important differences between payroll systems that are web-based and those that are not. For example, client-server payroll systems differ considerably from ASP type systems: "The ASP HR Payroll Bureau service allows customers to concentrate on their core business and provides continuing access to specialist state-of-the-art HR payroll services without the need to worry about purchasing software," according to Mike Fiveash, manager of ASP HR and Payroll Solutions at Interim HR Solutions. "By taking advantage of the economies of scale the Bureau offers, customers will realise savings and be able to increase productivity through redeployment of their staff," Fiveash added. For example, online leave processing through the employee self-service module can yield savings of up to 80% when compared to hard copy leave processing.

Interim's Bureau system provides many other different benefits from client-server and out-of-the-box packages, Fiveash explained, including:

- fully out-sourced, shared or dedicated ASP services based on proven and highly regarded Aurion HRMIS;
- an all-inclusive 'click' charge (per person per pay basis);
- fees that include new versions of Aurion and Aurion upgrades;
- an integrated scoping, implementation, and post implementation support service;
- computer processing platform and related supported;
- Payroll management and pay disbursement service;
- Interfaces to most leading financial systems;
- Systems and help desk support; · Data entry services
- Disaster recovery program;

- 24-hour, seven days a week system access; and
- customised end-user training.

Interim's ASP HR Payroll Bureau was formed through a partnership with the Aurion Corporation. "Aurion is a comprehensive human resource and payroll solution," said Aurion CEO Bruce Ford. "Our modular design means human resource and payroll components can be implemented separately. Together they deliver the benefits of a fully integrated HR solution."

As well as providing the basis for Interim's system, Aurion can also cater for client-server type systems, Ford said. "Aurion is written in Uniface from Compuware. Using Uniface means Aurion is portable, scalable and adopts readily to changes in your organisation's IT infrastructure," he said.

"With Aurion supporting a component model for application design you are able to deploy the software in the manner you prefer. With this portable flexibility, Aurion can run on a range of hardware and databases including Informix, Oracle, SQL Server, Sybase and UBD," Ford said. "It also runs on all operating systems such as AIX, HPUX, MVS, NT, OS/400 and Solaris."

But how will a payroll system benefit my company?

ASP systems, client-server based systems and out-of-the-box systems are developed to supply companies with an efficient means to increase the efficiency of their payroll and their staff. But what are the features and benefits a payroll system?

Alwyn Henderson likes to view the features and benefits of payroll software as two-fold. Firstly, it is faster and more accurate than counting on your fingers and toes; secondly, it is a better recording system than quill and ink.

"Speed and accuracy have obvious benefits but in many systems they are in conflict - the faster you go the more errors you make," Henderson said. "This can be resolved by automating the data collection process or automating the way pay is made. Generally, the less human intervention in the process, the more accurate and predictable the result."

"A good payroll system will allow you to easily satisfy all your legal reporting obligations to the various government blood-letting agencies. It will also give you the tool to ensure that all line managers in your organisation have the information to manage their part of the workforce."

OK, I need a new system, but should I outsource?

Outsourcing company payroll provides many businesses with an effective alternative to utilising internal resources to track and deliver payroll. However, there is no underlying formula that companies must follow when choosing an outsourced option over an internal option.

"There are many different variables to consider", said Geoff Boyton, payroll outsourcing manager for Payroll Specialists. "Progressive companies have long identified the difficulties in operating a payroll office and keeping up with the ever-changing legislation and system changes." "In the early seventies, with the introduction of PCs, many companies looked to payroll bureaus to provide the necessary number crunching and processing of payroll information," Boyton explained. "In the eighties, sophisticated payroll software enabled in-house teams to cope with the sheer volume of paperwork required. In the nineties, organisations have significantly more complex payroll needs and are spending vast amounts maintaining their critical payroll, human resources and benefits management areas."

Many companies have therefore chosen the outsourcing option. "Outsourcing is just like having a dedicated payroll office providing on-time, every-time payroll services without staffing worries, hidden operating costs and concerns over meeting legislative requirements. Outsourcing provides all the power, features and flexibility without the drain on internal resources," he said.

According to Boyton, it's time to consider outsourcing company payroll if:

- you have payroll staffing issues;
- you have difficulty in keeping up with legislation;
- you don't feel confident with your payroll impute, leave management,
- payroll financial analysis, federal and state returns, legislative compliance and award interpretation.

These obligations can leave an employer vulnerable and create major disruptions to the payroll; with outsourcing, the continuity and stability of payroll processing is guaranteed by an outside provider, Boyton said.

Is it going to cost me an arm and a leg?

Small, single or limited user systems purchased out-of-the-box can cost as little as a few hundred dollars. On the other hand, payroll system packages can cost up to A\$5m, according to Alwyn Henderson.

What businesses must establish is the degree to which payroll will play a role in their organisation. Are you only paying wages? Are you billing clients through this system? Or have you automated all your internal services into an online payroll system, including holidays, leave etc?

These questions relate directly to your strategic business focus. You must decide what you want from a payroll system, how much to pay, and whether you want to outsource or build and add to existing internal resources. There is no right answer, other than what is right for your business.

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